

MARKET TRENDS

PHOENIX INDUSTRIAL

MARKET DRIVERS

Arizona continues to position itself as a national leader in innovation and industrial growth. The state ranks No. 1 in the country for semiconductors, recording more than 60 industry expansions since 2020, and also leads the nation in international investment with over \$195.7B announced during that period. This momentum is further reinforced by the recent groundbreaking of the \$7B mixed-use Halo Vista development, which is expected to create thousands of jobs across multiple industry sectors tied to TSMC and strengthen the region's long-term economic outlook.

The total vacancy rate declined to 12.4%, marking a 120 bps YOY decrease, while total availability fell 150 bps to 14.4%. Leasing activity reached 7.5M SF, supported by 4.4M SF of direct net absorption, with Glendale, North Chandler/Gilbert, and Goodyear posting the strongest gains due to advanced manufacturing and logistics demand. At the same time, new construction slowed significantly—only 1.2M SF delivered, an 82% YOY decline—as the market focused on absorbing existing inventory. Direct average asking rents for spaces 10,000 SF and larger increased 5% year over year to \$1.18 PSF NNN.

ECONOMIC REVIEW

According to the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in December increased by 70 bps YOY to 4.3%. Arizona's 2026 hiring trends are tightening labor supply, slowing project timelines, and increasing competition for specialized talent due to ongoing semiconductor expansion, advanced manufacturing investment, and infrastructure growth.

NEAR-TERM OUTLOOK

Vacancy rates are expected to continue declining through the remainder of 2026; however, West Phoenix is still experiencing new warehouse development, which will increase the amount of space under construction.

Market Summary

	1Q26	4Q25	1Q25	YOY Change
Total Vacancy Rate	12.4%	13.5%	13.6%	-120 bps
Total Availability Rate	14.4%	14.8%	15.9%	-150 bps
Direct Asking Lease Rate/SF/Mo	\$1.18	\$1.18	\$1.12	5%
	1Q26	4Q25	1Q25	YOY Change
Leasing Activity (SF)	7,524,022	6,788,754	5,736,196	31%
Sales Volume (SF)	6,156,716	8,561,845	5,325,089	16%
Direct Net Absorption (SF)	4,410,073	2,006,628	4,989,946	-12%

↓ **7.5M SF**
LEASING ACTIVITY

↓ **4.4M SF**
NET ABSORPTION

↓ **12.4%**
VACANCY RATE

↑ **\$1.18 NNN**
ASKING RENT (AVG)

↓ **1.2M SF**
NEW DELIVERIES

Year-Over-Year Trend

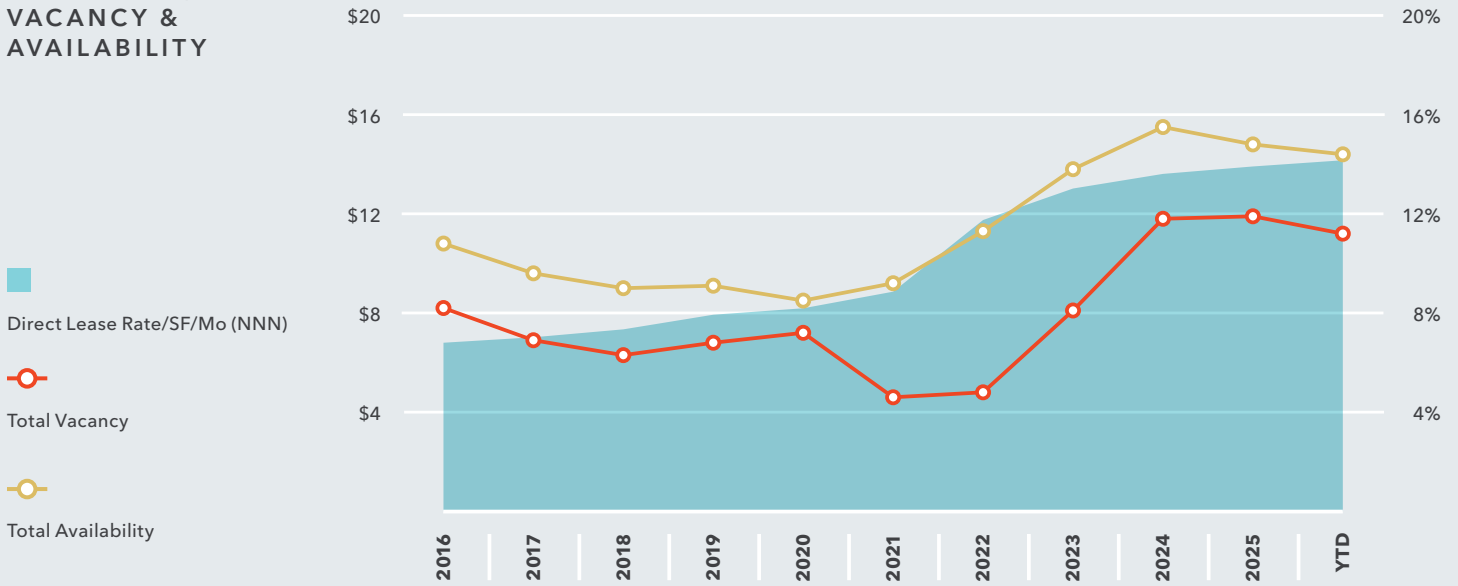
Market Highlights

TOTAL LEASE TRANSACTIONS
totaled 7.5M SF

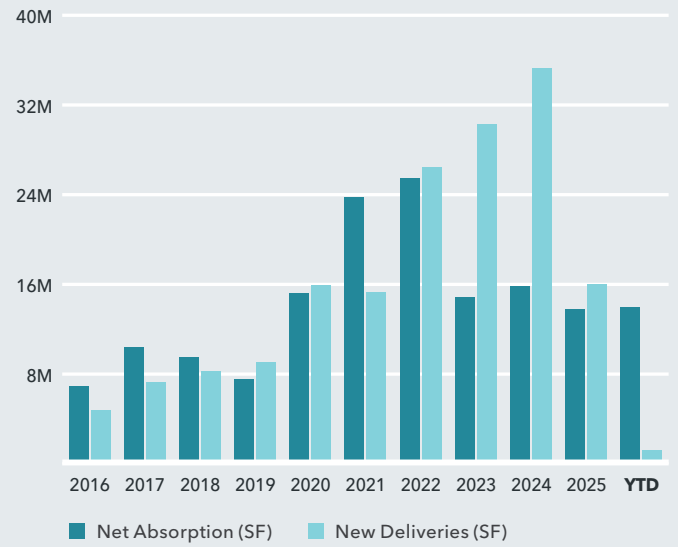
DIRECT NET ABSORPTION
reached 4.4M SF

DELIVERIES DECREASED
82% YOY

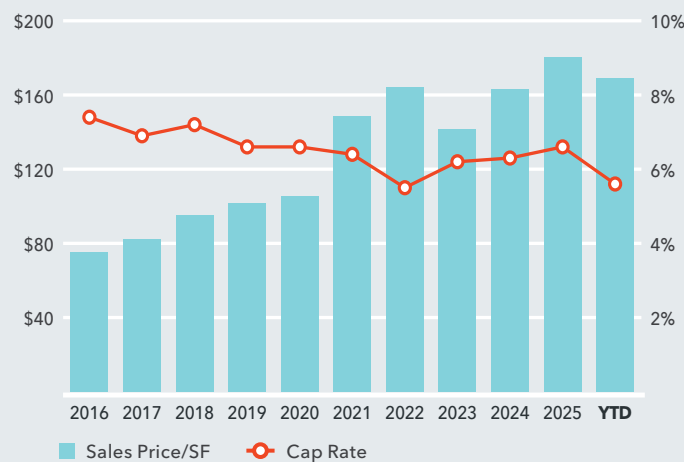
LEASE RATE, VACANCY & AVAILABILITY



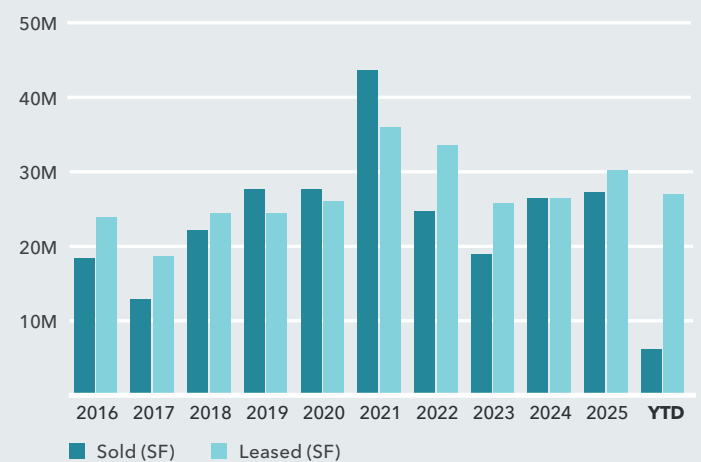
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	1Q26 Direct Net Absorption	2025 Direct Net Absorption	SF Under Construction	2025 Construction Completions	1Q26 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	13,235,911	5.2%	5.6%	3	51,161	807,333	46,060	140,809	656,345	\$1.29
South Airport North of Roeser	14,581,691	8.7%	10.3%	-63,793	-424,836	88,324	202,529	108,695	692,815	\$1.27
South Airport South of Roeser	4,522,875	1.8%	2.1%	3,779	-21,984	0	0	70,252	138,547	\$1.43
SC North of Salt River	14,806,084	6.3%	8.7%	-69,179	4,479	0	0	227,237	585,363	\$1.16
SC South of Salt River	2,387,900	5.1%	5.1%	-62,207	21,146	357,721	0	0	25,916	\$0.78
Airport Area	49,534,461	6.3%	7.6%	-191,397	-370,034	1,253,378	248,589	546,993	2,098,986	\$1.23
Central Phoenix	3,340,217	2.5%	2.5%	41,615	-22,640	70,000	0	11,550	108,616	\$1.34
Scottsdale Airpark	6,566,097	5.5%	6.4%	-11,204	6,548	0	0	135,504	381,852	\$1.72
Scottsdale/Salt River	5,582,297	10.2%	10.8%	84,111	-39,899	267,051	305,375	50,876	129,692	\$1.81
Northeast	15,488,611	6.6%	7.2%	114,522	-55,991	337,051	305,375	197,930	620,160	\$1.66
Deer Valley/Pinnacle Park	21,226,408	8.6%	9.2%	245,844	1,458,810	1,031,267	0	271,864	1,571,115	\$1.29
Glendale	59,696,073	18.4%	21.4%	1,513,647	6,555,904	3,683,542	0	1,944,668	3,954,863	\$1.09
Grand Avenue	14,566,952	8.9%	9.8%	-322,568	178,727	468,642	0	123,644	313,858	\$0.85
North Black Canyon	4,719,408	19.9%	19.9%	6,284	-92,331	428,011	0	33,745	189,071	\$1.13
Surprise	7,751,854	27.3%	27.3%	521,167	112,507	0	0	53,684	403,671	\$1.24
West Phoenix North of Thomas Road	7,232,673	4.4%	4.7%	9,703	-17,482	0	0	77,146	321,245	\$0.84
West Phoenix South of Thomas Road	6,583,223	3.7%	3.9%	-119,917	88,320	0	0	9,427	196,593	\$1.06
Northwest	121,776,591	14.5%	16.3%	1,854,160	8,284,455	5,611,462	0	2,514,178	6,950,416	\$1.14
Chandler Airport	9,608,196	10.5%	18.3%	49,416	692,285	375,913	0	62,502	519,456	\$1.51
Chandler	23,764,687	7.9%	8.5%	-83,973	2,912	315,961	0	178,816	1,100,490	\$1.45
Chandler North/Gilbert	44,305,473	22.0%	22.4%	1,739,379	2,739,700	1,685,127	360,881	941,635	4,572,604	\$1.37
Falcon Fld/Apache Junction	5,869,330	5.1%	5.2%	18,455	98,010	778,121	0	63,821	213,902	\$1.38
Mesa	6,664,210	6.5%	7.1%	16,454	-89,683	0	0	56,646	400,753	\$1.00
Tempe East	5,977,579	7.5%	8.0%	-792	8,867	689,109	0	35,432	387,492	\$1.39
Tempe Northwest	9,818,395	8.6%	9.2%	-313,181	246,825	45,944	0	89,794	713,913	\$1.22
Tempe Southwest	21,935,299	9.7%	10.8%	-38,142	-121,620	331,591	0	340,822	999,981	\$1.21
Southeast	127,943,169	13.2%	14.3%	1,387,616	3,577,296	4,221,766	360,881	1,769,468	8,908,591	\$1.30
Goodyear	39,447,919	13.0%	13.2%	1,319,884	2,681,666	0	169,000	1,495,144	4,560,783	\$0.99
Southwest North of Buckeye Road	37,952,511	9.9%	10.8%	269,155	1,210,821	670,514	0	795,898	1,538,621	\$0.93
Southwest South of Buckeye Road	20,497,641	7.9%	7.9%	61,531	-892,657	0	125,480	70,612	462,774	\$1.23
Tolleson	49,545,010	5.5%	7.5%	-405,398	-504,952	0	0	133,799	1,861,720	\$0.84
Southwest	147,443,081	9.0%	10.0%	1,245,172	2,494,878	670,514	294,480	2,495,453	8,423,898	\$0.95
Phoenix Total	462,185,913	11.2%	12.4%	4,410,073	13,930,604	12,094,171	1,209,325	7,524,022	27,002,051	\$1.18
Manufacturing & Warehouse	266,829,960	10.5%	11.5%	229,166	4,491,631	10,784,920	10,889,766	5,631,775	12,618,020	\$1.13
General Industrial	165,467,917	11.7%	13.5%	3,642,858	9,764,334	1,136,635	4,702,347	1,452,115	12,530,664	\$0.82
Flex	27,542,725	9.0%	9.7%	-146,156	184,767	172,616	217,360	256,273	1,496,238	\$1.37

SIGNIFICANT SALE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Cotton 303 Logistics Center	Glendale	915,160	\$104,000,000	\$113.64	Prologis	Heitman
91st Avenue & Roosevelt St (2 Prop)	Tolleson	662,804	\$94,125,000	\$142.01	Transwestern Investment Group	EQT Real Estate
15784 W Hatcher Rd - Bldg. A	Glendale	566,121	\$90,579,360	\$160.00	Electric Research & Manu. Co-op.	Indicap
Surprise Point Commerce Center	Surprise	418,400	\$70,035,000	\$167.39	Immigration & Customs Enforcement	Rockefeller Group
9014 N 23rd Ave (11 Prop)	N Black Canyon	227,603	\$43,000,000	\$188.93	BKM Capital	Terracore Capital & BKM Cap.

SIGNIFICANT LEASE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
Kyrene 202 Business Park VI	Chandler	38,152	February 2026	EastGroup Properties	CRST Home Solutions	Direct
Elliot Business Park	Tempe	25,075	February 2026	Transpacific Development SW	The RK Logistics Group	Direct
Tempe Commerce Park	Tempe	40,675	February 2026	BH Properties	ValleyPrecision Sheetmetal	Direct
Broadway Industrial Park	SW Tempe	35,033	February 2026	Equus Capital Partners	Phoenix Winsupply Co.	Direct

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Northern Parkway Logistics - Bldg D	Reems Rd & Northern Pky	Glendale	1,184,591	Merit Partners	4Q 2026
West 101 Logistics - Bldg 1,2,3,4,5	SEC Loop 101 & Indian School Rd	Glendale	1,088,806	Undisclosed	3Q 2026
ReDiscover - Bldg A,B,C,D	2402 W Beardsley Rd	Deer Vly/Pinnacle Pk	807,437	ViaWest Group & Barings	1Q 2027
Next Wave - Bldg 1,2,3	1500 McClintock Dr	Tempe East	500,591	Undisclosed	2Q 2026

Data Source: CoStar, AZ Office of Economic Opportunity, PBJ



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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COMMERCIAL BROKERAGE	\$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	55M+ SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ANNUAL ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS